

CHIEF AUDITOR'S REPORT
February 2006

SUBJECT	DATE OF ASSIGNMENT	STATUS
1. Biennial Audit Plan	June 2005	<p>Mid-year assessment results of Audit Services ability to complete the approved audit plan shows it is necessary to defer 7 audits plus administrative projects from the current year plan. The OFAS experienced a deficiency in budget to actual staff resources of approximately 4,200 hours (approx. 2.75 PY). Audit Services recommends deferring the following audit projects:</p> <ul style="list-style-type: none"> • Online Retirement Estimate (400 hrs.) • Contribution Reporting (500 hrs.) • System Security Review (500 hrs.) • Alternate Retirement Plan and Service Credit Costing (500 hrs.) • Disability Application and Approvals (600 hrs.) • Pension System Resumption Accounting (700 hrs.) • Third Party Administrator of the Long-Term Care Group Contract (350 hrs.) • OFAS Administrative Projects (650 hrs.) <p>Additionally, Audit Services has assigned 4 staff (approx. 2 PY) to Fiscal Services Real Estate Accounting Project. This requires an additional reallocation of audit plan projects of approximately 2,900 hours. Audit Services recommends deferring 3 projects in the audit plan plus allocating 1,200 hours from the special projects budget to respond to this assignment. Audit Services recommends deferring the following projects.</p> <ul style="list-style-type: none"> • Real Estate Accounting (600 hrs.) • Real Estate Investment Program (500 hrs.) • Health Enrollment and Premium Billing of Contracting Agencies (600 hrs.) • Consultation and Special Requests (remaining 1,200 hrs. of 4,000 in plan) <p>A quarterly status report showing all progress towards completion of the Biennial Audit Plan as of December 31, 2005 will be presented at the March Finance Committee meeting.</p>

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2. Conrad and Associates, LLP Merger With Mayer Hoffman McCann PC	Ongoing Workload	The Board of Administration's independent Real Estate Auditor, Conrad and Associates LLP, will be practicing public accounting as a national firm under the name Mayer Hoffman McCann P.C. (MHM) effective January 1, 2006. MHM's Conrad Government Services Division will continue to provide real estate contract compliance audits of CalPERS' partners and investments, including R Street. Audit Services has submitted requests to update existing contracts it manages on behalf of the Board.
3. Monitoring and Responding to Exposure Drafts and Proposals	Ongoing Workload	No new issues to report. Other Postemployment Benefits GASB: A Plain Language Summary of Statements No. 43 and No. 45 provided to Finance Committee.
4. Reportable Significant / Material Findings	Ongoing Workload	No new issues to report.